

## **Southern California Edison Comments on California Climate Change Policy <sup>1</sup>**

Southern California Edison (SCE) appreciates the opportunity to participate in the work of the California Energy Commission Advisory Committee on Climate Change Policy.

SCE agrees that global warming is occurring and that there is a potential for significant harm to the climate system. We agree that actions to address global warming are necessary. SCE believes that action to address global warming will be most effective if taken at the international and national level. We support the federal government's extensive program to address climate change. We supported enactment of a federal renewable portfolio standard in the recent Senate consideration of the National Energy Bill.

If California chooses to enact mandatory greenhouse gas emission (GHG) reduction programs, in particular with respect to the electricity sector, it should work in concert with the electrically interconnected western states represented in the Western Electricity Coordinating Council. SCE is concerned that unilateral mandates by California, particularly with respect to GHG emissions associated with the generation of electricity, will not be effective due to the likelihood that mandates to reduce emissions here will shift carbon emissions to generators in other states with which California is linked electrically, thus eliminating any overall reduction in emissions. Unilateral California mandates will likely result in higher prices to California customers and will threaten the reliability of the state's electric supply.

California's electricity supply system is carbon efficient. The carbon intensity of the electricity consumed in California is about 40% less than the nation as a whole, and significantly less than that of our neighboring western states. California is in this positive position because of existing ozone-reduction policies, which led to early reliance on natural gas-fired generation, and existing energy efficiency programs, which require investor owned electric utilities to implement extensive end use energy efficiency and conservation programs and to meet an aggressive renewable portfolio standard. (SCE leads the nation in procurement of renewable energy. At present, nearly 19% of the electricity we distribute to our customers comes from renewable sources as defined in the RPS statute.) SCE supports continued reasonable efforts to improve electric end use efficiency. On June 1, 2005 SCE filed an Application with the CPUC for over \$728 million in energy efficiency funding for the years 2006-2008, nearly triple the previous annual levels of investment in energy efficiency programs. We will continue our aggressive effort to procure renewable energy and believe California should enact legislation to require all load serving entities (LSEs), including municipally owned electric utilities, to meet the same RPS standards presently required of investor owned electric utilities. Individual RPS commitments by such entities are not sufficient, nor is it

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equitable to require one standard of the private sector utilities and another of the municipal utilities.

SCE respects the Governor's decision to address the climate change issue through Executive Order S-3-05. However, for the reasons stated above, we believe it is critical to assess the feasibility and cost of meeting the GHG emission reduction targets and timetables detailed in Executive Order S-2-05 before imposing mandates to meet those targets.

In compliance with the CPUC decision in its long term procurement plan, SCE is taking GHG emissions into account in its electric power procurement process by employing the "GHG adder" as directed by the CPUC. Since municipal utilities in California supply a significant amount of the electricity consumed in the state, municipal utilities should be required to employ the same GHG adder in their procurement activities.

Addressing climate change is a decades-long global problem. As the Intergovernmental Panel on Climate Change Third Assessment Report indicates, effectively stabilizing greenhouse gas concentrations in the atmosphere will likely require reduction of global GHG to levels below 1990. It is not yet clear how much time global society has to make this change, but it is reasonable to conclude that it will take at least several decades to achieve such dramatic change. Early, dramatic reductions in GHG emissions will be expensive and may be unnecessary if we can make a transition to lower or zero carbon intensive energy supply over a longer time frame. In the near term, California and the nation should take reasonable and cost-effective steps to increase the efficiency of energy production and to develop renewable power. If California acts unilaterally, it should include in its policy an open GHG offset program without restriction and a price limit on cost per ton of carbon dioxide equivalent reduced.

Finally, because the nation as a whole and California will need to continue to rely on coal for some portion of its electric energy supply, it behooves the federal and state government to provide leadership to advance policies to develop technology to capture and store carbon dioxide produced in the course of using coal.